



1922

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New York, September, 1922.

General Business Conditions

THE manner in which business becomes "used" to trouble, so that conditions that at one time would be very alarming are eventually accepted almost as a matter of course, has been illustrated this Summer in its attitude toward the coal and railroad strikes. Of course business cannot get along indefinitely without coal and railroad service, but the situation is as serious for the whole community, including the strikers and their families and sympathizers, as it is for business, for the latter is nothing but supplying community wants. Business throughout the Summer has manifested confidence that common sense would rule and that coal and railroad service would be forthcoming.

Doubtless this view will prove correct over the long run, but the situation over the world at the moment is not such as to inspire confidence in the ascendancy of common sense among any of the branches or classes of the human family. In Europe, from Ireland to Russia, the peoples are embroiled in bitter contentions. The faculty of composing differences and of finding common ground upon which to work for common interests, by means of which society has made a fairly orderly advance in civilization, seems to have broken down under the weight of present problems, or to be temporarily incapacitated. In this country the situation is not so desperate, but it affords abundant evidence of how the people, confused by suspicion and agitation, waste their energies at cross-purposes. Most of our troubles are due to hallucinations of one kind or another, but fortunately their serious character is sometimes relieved by a streak of humor, as when Mr. Henry Ford varies the charges against Wall Street with his theory that the Street controls the labor organizations.

The Influence of Europe

Business has been affected in some degree by the strikes, the steel industry especially having been obliged to slow down, but confidence that the situation would clear up and

trade be good this Fall has continued almost unabated. On the negative side, the public has discounted speculations as to the effect of possible conditions in Europe until it pays little attention to them. It believes that despite the rotten currencies, economic conditions in Europe have been gradually getting better, in the sense that the industries are becoming more productive, and that despite the critical relations between France and Germany the necessities of both countries will compel them to find a basis of settlement.

The reaction of European conditions upon business in the United States is in the effect they have upon European purchases here. These are mainly of foodstuffs and raw materials, and although European consumption has been diminished, the absence of Russian exports and the falling off of production throughout Europe, has concentrated demands upon this country to such a degree that in most lines our exports have not fallen below the average of pre-war years, although much below those of the war period and the year or two following.

As illustrating this statement we give below the figures for the exports of our principal farm products in each fiscal year from 1910 to 1922:

QUANTITIES OF PRINCIPAL AGRICULTURAL PRODUCTS EXPORTED FROM THE UNITED STATES, IN YEARS ENDING JUNE 30, 1910, TO 1922

Fiscal Year	Wheat*			Corn†		Cotton		Beef		Pork		Condensed Milk		Butter		Chickens	
	Mil. Bu.	Mil. Bu.	Mil. Lbs.	Mil. Bu.	Mil. Lbs.	Mil. Lbs.	Mil. Lbs.	Mil. Lbs.	Mil. Lbs.	Mil. Lbs.	Mil. Lbs.	Mil. Lbs.	Mil. Lbs.	Mil. Lbs.	Mil. Lbs.	Mil. Lbs.	Mil. Lbs.
1910	87	38	3,207	127	344	13	3	3									
1911	69	66	4,034	94	366	12	5	10									
1912	80	42	5,535	64	477	21	6	6									
1913	143	51	4,562	40	422	17	4	3									
1914	146	11	4,761	33	411	16	4	2									
1915	332	51	4,404	278	305	37	10	55									
1916	243	40	3,084	320	998	160	13	44									
1917	203	67	3,088	323	1,037	259	27	66									
1918	134	49	3,231	522	1,295	529	18	44									
1919	287	23	2,763	486	1,962	729	34	19									
1920	220	17	3,644	217	1,151	711	27	19									
1921	365	71	2,811	55	753	267	8	11									
1922	279	179	3,589	34	681	289	8	7									

* Includes flour in terms of wheat.

† Includes corn meal in terms of corn.

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This dependence of Europe upon imports does not seem likely to be altered much in the next few years. An increased supply of food-stuffs within Europe must be produced mainly in Russia and the countries bordering upon it. In Russia the conditions are not promising, and elsewhere agricultural conditions have undergone an important change in the distribution of large estates among small holders. The effect thus far everywhere is reduced production, the new proprietors as a rule not giving as good cultivation as was given under the old system. This may not be a permanent result, but improvement in any case will be gradual, and meanwhile western Europe must find its supplies elsewhere.

It appears therefore that Europe's importation of farm products during the past year probably has been near the irreducible minimum, unless famine conditions prevail generally. The German Chancellor, in a recent statement giving reasons why Germany could not continue reparations payments, said that Germany must first of all provide for the necessary importations of food, and there is no gainsaying this statement. The people of all Europe must have food before they can plan for anything else. It seems altogether probable that some means will be found for purchasing it, although the difficulties are great and the pending unfinished tariff legislation at Washington tends to increase them.

Foreign Trade

General trade conditions are better in all parts of the world. The Department of Commerce reports "our cotton cloth exports in June as continuing their consistent upward curve of the last seven months, with a total of 62,849,500 square yards, as compared with 48,394,200 for June of last year." English cotton exports for the first six months of this year were 50 per cent greater than those of the corresponding months of 1921. Holland reports a 33 per cent of decrease of unemployment since January and the Scandinavian countries report improved conditions. British trade and industry generally are doing better. The South American countries have a better demand for their products, and are buying more. Hides shipped from Argentina for the first six months of 1922 numbered 3,210,000, against 1,472,000 in the corresponding months of 1921. The fact that our own importations from South America are increasing is directly related to the fact that our exportations to them are increasing. What we take from them furnishes the means by which they buy from us.

A Great Crop

One factor in the general state of confidence has been the excellent crops. The August

estimates of the Department of Agriculture upon this year's crops indicated on the whole a bumper yield. It is seldom the all-around conditions average so high. Taking values at the time the estimate was made the Department calculated that the aggregate was about \$1,200,000,000 above that of the same crops at the prices ruling in August, 1921. The figures for each crop included in the computation, for both years are as follows:

Crop.	1922.	1921.
Wheat	\$781,655,000	\$829,160,000
Corn	1,942,948,000	1,890,360,000
Oats	437,850,000	358,618,000
Barley	95,424,000	74,594,000
Rye	56,118,000	56,799,900
Buckwheat	13,206,000	16,877,700
White potatoes	505,120,000	475,043,000
Sweet potatoes	143,808,000	142,226,700
Flax	24,099,000	13,130,100
Hay	1,078,980,000	1,017,552,000
Wild hay	132,096,000	116,584,000
Cotton	1,179,900,000	392,000,000
Apples	269,972,000	167,947,000
Peaches	90,884,000	80,311,200
Peanuts	29,876,000	31,008,000
Grain Sorghums	98,318,000	58,650,000
Tobacco	285,000,000	215,000,000
Total (17 crops)	\$7,134,654,000	\$5,935,861,600

All the principal crops are larger in bulk than last year, with the exception of corn, which is, however, a good crop. Fruits and vegetables are in abundant supply and cheap.

All of the grains have suffered somewhat in price from the large yields in prospect. Wheat at Chicago has sold below \$1, and at this writing the September delivery is ranging around \$1.03, which is about 15 cents below the price in the last week of August last year. Corn for December delivery, same market, is about 55 cents, or 2 cents above the price a year ago. December oats are about 34 cents, which is practically the same as a year ago.

Broomhall, the English authority, estimates the aggregate world exports of wheat in the year ended July 31, 1922, at 648,000,000 bushels, and puts the carry-over in the exporting countries at only 52,000,000 bushels; exclusive of India, where exports will not be permitted until the new crop is assured. He estimates the exportable surplus from this year's crop at 680,000,000, and calculates that the importing countries will need somewhat more than this. The situation is very evenly balanced, and if anything should happen to the Argentine or Australian crop, prices would be seriously affected. The European grain crops are lower than last year, but root crops are better.

Cattle prices have been slipping a little of late, but the movement of stockers and feeders from western markets back to the country is a healthy one, indicating that the industry is on a good basis. The run of hogs has been larger this year than last, and prices

have weakened, particularly for the poorer grades, but the top at Chicago is still around \$10. With another good corn crop in sight, there is a likelihood that hog values will be lower the latter part of this year than last year. Lambs are in short supply, and feeders are paying above \$12 for them. Dairy products are below last year's prices.

The general outlook is that the farmer will feed the town populations on a lower basis during the coming year than last year.

The government report August 1st on the condition of the cotton crop disappointed the trade by indicating a yield of 11,400,000 bales where a 12,000,000 bale estimate was expected. Opinion is general that the crop has lost ground in August owing to drought over part of the territory and the boll weevil everywhere. Private estimates are now running from 10,000,000 to 11,000,000 bales. The consumption of American cotton in the past year has been estimated by Mr. Hester, statistician of the New Orleans Cotton Exchange, at 12,804,000 bales, and the carry-over August 1st at 4,904,000 bales, against 9,364,000 carried over August 1, 1921. The common calculation has been that unless this crop turned out 12,000,000 bales, the world would be very short of cotton. Cotton is the one disappointing crop in the country this year.

Labor Scarcity

It is apparent that if there were no strikes, and if industry over the country was well-balanced in compensation, there would be practically no unemployment and the country would be well out of the post-war depression. As it is, the strikes are causing a large amount of both voluntary and involuntary idleness, and besides those conditions there is still slack work in some industries and congestion in others.

The most notable development in the labor market since the depression began has been the advance of 20 per cent in the wages of common day labor announced by the United States Steel Corporation, followed by the other steel companies, to take effect September 1st. It had been known that since the revival in the steel industry had reached about 70 per cent of capacity the companies were experiencing difficulty in recruiting their forces. The men had scattered, many going back to the old countries, and the immigration law is a factor in restricting new supplies. With a prospect that wages in the coal industry would be maintained at the old rates, and that miners who had found employment in the steel works would go back to the mines, the iron and steel operators thought it advisable to announce the advance.

Their action naturally has affected the entire labor situation, being followed by an ad-

vance in non-union mining districts of Pennsylvania of nearly 50 per cent, and by advances in the cement and other industries. It is an effective refutation of the charge that there is a class community of interests among all employers with a fixed policy to depress labor, and of the claim that there is no such thing as the law of supply and demand in the labor market. Here is the biggest open-shop industry in the country leading a wage advance at the very moment most embarrassing to the railroad companies and coal operators. It affords a demonstration of a method of determining wage rates that is far superior to any arbitrary fixing, either by labor unions or by arbitration, i. e., the free, voluntary movement of individual workers to where they can get the best pay. There is no appeal from a settlement in the open market.

An Unfavorable Development

With regard to the industrial situation as a whole and for the long run, this advance of wages in the iron and steel industry cannot be regarded as a favorable or helpful development. It is rather one of the spasmodic and temporary movements characteristic of a time of general unsettlement, such as the war occasioned.

The steel industry during the war was largely devoted to the war. In some lines equipment and construction fell behind the needs of the country, and the general slump in business last year cut down the production of iron and steel before the shortage was made good. This has been particularly true of railroad needs. The revival that was in sight when the strikes began gave the steel companies a vision of quantity production, which they were eager to realize, for the steel industry is one in which volume is a large factor in profits.

The advance puts wages in this industry about 80 per cent above the pre-war level, a position that cannot be maintained unless the general level of compensation throughout industry is established on the same basis, which does not appear to be probable.

This, of course, is not saying that the advance is bad policy for the companies at this time, taking account of the amount of business now offered the industry; it doubtless would be well if wages were more responsive to the fluctuations of supply and demand than they commonly are, for the result would be steadier employment.

Unbalanced Industry

It is, however, a familiar fact that the chief cause of depression during the past year was the unbalanced state of industry, great numbers of would-be consumers being unable to buy freely because their own products did

not give them the required purchasing power over other products; held at a higher level of values. This unbalanced situation still exists, and this move in the steel industry, while it may be toward readjustment on the basis of coal mining, is not toward general readjustment. We have referred above to the fact that in farm products, excepting cotton, the tendency of prices at this time is downward.

Only a few days before the announcement of the wage increase in the steel industry, Mr. Eugene G. Grace, president of the Bethlehem Steel Company gave an interview to several newspaper men, which was reported in part as follows:

Unless the settlement of the coal strike contemplates future liquidation of costs, including wages, it will have the effect of stopping investment money and stimulating prices, Eugene G. Grace, president of the Bethlehem Steel Company, said yesterday.

"Pretty near all lines of industry have gone through liquidation since the war," said Mr. Grace, "but the railroads and the mines are two glaring exceptions. According to the terms of the coal strike settlement, as I get them, the miners are to return to work on the 1920 basis: on a basis founded on war time prices. But remember, living costs have fallen 50 per cent since 1920. Men in other lines of industry have accepted wage cuts: it is only fair that they should. And yet the miners refuse to accept any readjustment.

"I'd like to ask you boys why the steel industry has prospered since the war. Here's the answer: Because we cut costs to the bone. And as we cut costs we cut prices. And as we cut prices business boomed.

"Now, what is going to happen? When coal goes up steel must go up. It increases our costs. Simple, isn't it? And when steel goes up our orders will go down. And the steel business will suffer."

Mr. Grace was asked what the immediate result of the coal strike settlement would be, in his opinion.

"It will stimulate business for two or three months," he replied. "After that it will have the opposite effect. You cannot get away from the fact that unless the coal settlement contemplates liquidation of costs, including wages, prices are bound to rise.

"The main costs in coal production are wages and transportation. Cut wages and transportation and coal falls in price. That's simple, isn't it? What could be plainer?"

The Prices of Metal Products

That there is justification for Mr. Grace's statement that the steel industry had done its part in the reduction of prices appears from the tables which we published last month, showing the Bureau of Labor's computation of price fluctuations in the principal commodity groups. We reproduce the table herewith. The figures given are percentages of average prices in 1913:

Group	May, 1920	June, 1921	May, 1922	June, 1922
Farm products	244	114	132	131
Food, etc.	287	137	138	140
Cloths and clothing	347	172	175	179
Fuel and lighting	235	191	216	225
Metals and metal prod....	193	133	119	120
Building materials	341	163	160	167
Chemicals and drugs....	215	133	122	122
House furnishing goods....	339	196	176	176
Miscellaneous	246	125	116	114
All commodities	272	142	148	150

* New York Journal of Commerce of August 17.

It will be seen that according to these official figures, metals and metal products, in which iron and steel are the principal factors, did not go as high in the upward movement of prices as the products of any other group, and were lower relatively in the month of June, 1922, than the products of any other group. This is remarkable in view of the fact that metal production is mainly by large corporations which we are told over and over again have a practical monopoly and are able to fix not only wages but prices to please themselves.

The Big Strikes

The country has had another month of agitation over the coal and railroad strikes, and while the immediate results are far from satisfactory, there is some reason for believing that progress is being made toward a general understanding of the problem which such controversies present. Time is the great solvent of social problems. Haste and friction beget heat, and not much that is constructive is done in anger. The evolution of society to the stage of cooperation that has been reached has been a slow process, retarded at every step by suspicions and antagonisms. All the real problems have to be exposed for a long time to the "weather" of controversy and experience before they yield to treatment. For this reason patience is a virtue in dealing with them, and it is not always true that an irreconcilable difference "may be just as well fought out now as any other time." Something may be gained by allowing the public mind to become thoroughly saturated with all the facts and implications of a given situation.

The paramount fact of modern life is that people are necessarily dependent upon each other and must somehow manage to live together and work together. The farmer, the coal-miner, the railroad worker, the shoemaker, the textile worker, the physician, the school-teacher, and all the rest in the circle of occupations, together form an organization which supplies the wants of each one far more effectively than he alone could supply himself. It is a great mutual system, for the common advantage. The matter of supreme importance is to keep this organization in effective operation and adjust the relations between the members upon a fair basis. Organized society carries all the values that come down from the past and that we hope to pass on to our children.

When this is appreciated there should be no serious difficulty about settling the controversies that arise between individuals and groups. It is for the common interest that they be settled upon principles that make for the effective functioning of this organiza-

tion and the general improvement of living conditions. Nothing that obstructs industry and is clearly harmful to the general welfare can be justified. This is the test to be applied to every disputed policy: how does it affect the general interest in the long run? It cannot be too strongly emphasized that individuals have no rights that impinge upon the rights of others, and where rights come in conflict they must be adjudicated under the authority of the government itself. Nobody suffers wrong by having the authority of the government maintained, for everybody is more than compensated for any curtailment of his own freedom by the protection he receives from the aggressions of others, and by the blessings of peace and order in the community.

In a democracy, nobody has any exclusive rights. Whatever one has a right to do, all have a right to do under similar conditions. Every trade and profession is open to all alike. No group has a right to claim exclusive possession of any particular field of production or service. Absolute freedom of movement from one job to another or from one occupation to another is the most effectual method of maintaining fair relations between them all.

The Preservation of Order

These propositions would seem to be self-evident, but a certain degree of intelligence must be developed and a certain stage of social progress reached, before people will conform to them. The primitive instinct is to want one's own way, and to beat down everybody and everything opposed to it. The state of civilization to which a people have attained, and the measure of their comprehension of their own social interests may be judged by the respect they show for law and the common rights upon which community life is based.

The two big strikes have been characterized in the past month by a continuation of violence toward individuals and defiance toward all authority. Trains have been deliberately wrecked with loss of life, passenger trains abandoned by crews in desert places, car-loads of coal fired, industries forced to close down, serious losses inflicted upon shippers, together with the daily run of bomb explosions, murders, personal assaults, etc.

The refusal of trainmen to move trains in or out of yards where the United States or local authorities were giving protection to workmen and property is nothing short of rebellion against the government. The regularly constituted public authorities are the judges of the proper measures to be taken to preserve order.

It is no doubt true that many members of the striking organizations do not participate in this lawlessness. The leaders say that these incidents are unavoidable features of a strike,

but that being true a large degree of responsibility for the violence follows responsibility for the strike itself. Moreover, it is apparent that in official circles of the unions reliance is placed upon this lawlessness as an aid to success. The Chairman of the Central Strike Committee for New York City has freely asserted that the Southern roads would not be able to get mechanics from Northern States because of fear of violence. The New York Times summarizes one of the statements given out by this committee as follows:

The Central Strike Committee for the Metropolitan District, in a formal statement made public during the afternoon, held that the settlement of the shopmen's strike was being dictated by "economic necessity," and specified rotting crops, business curtailment, increased living costs and unemployment. In support of their contention that the strike has been effective, the strike committee cited figures of the Labor Bureau, Inc.

Such conditions as these of course are of far more importance than the original matter in dispute. They affect the foundations of the social order and call for an uncompromising stand to support the public authority. There is only one way of getting finally rid of such disorders and that is by demonstrating to the understanding of the dullest intelligence that they do not pay.

The Development of Public Opinion

There is no reason to doubt the judgment of the public upon such conditions if they are clearly understood. The only danger is that arising from false issues. The cry that it is labor on one side against capital on the other, or of employers on one side and wage-earners on the other, raises a false issue. The real question is that of maintaining community life, and of securing a fair adjustment of the relations between the workers in different industries. The real paymasters of miners and railroad employees are the public, and they have a right to be represented in the settlements.

Mr. Lewis is quoted as saying in his most gracious manner that he had no desire to humiliate the coal operators; he merely wanted to bring them to his terms. In fact, the real humiliation was of the American people, when Lewis rejected President Harding's request that the wage question be arbitrated.

The public is naturally predisposed to side with wage-earners against employers, and as long as the issue seems to be confined to these parties, continues to be so. That is naturally the case, for a great majority of the people of this country earn their living, and as long as this is the case there is no danger that legislation will be unfair to labor. Notwithstanding the claims of agitators that the laws and courts are against the laboring man, there is an overwhelming amount of proof to the contrary. The comparative treatment of capital and labor employed in the transportation

service, and the exemptions of labor organizations from the anti-trust law, afford clear illustrations of the fact that labor as a rule has the greater consideration at the hands of the governing authorities. It has the enormous weight that goes with greater voting power.

But the public of all classes includes fair-minded people who will not in the long run be blind to policies which although advocated in the name of labor are opposed to labor's real interests, because subversive of the social order. It is safe to say that in the face of the coal and railroad strikes more progress has been made toward the establishment of effective authority over such situations in the hands of the government than would be made in years of abstract discussion. The farmers know what labor is as well as any class in this country, and are still the most influential single class in shaping legislation in the United States. The New York State Farm Bureau Federation on August 13 sent a telegram to the President, containing the following declaration:

The general welfare is paramount. Mining and transportation are vital to the general welfare. The New York State Farm Bureau Federation believes that those engaged in these occupations should submit to such Government regulation and control as will secure their continuance and operation on terms comparable with other business, and if there is no efficient law to this end we believe Congress should consider the enactment of necessary legislation. The farmers challenge all good citizens to join them in economical production and in obedience to law.

On August 15th Mr. J. R. Howard, President of the American Farm Bureau Federation, with headquarters at Chicago, sent a telegram to President Harding, of which the following is an extract:

The railroad strike has assumed proportions which are already bringing acute distress to many farmers. Many thousand farmers seem destined to lose their whole year's work unless settlements are speedily made.

The American Farm Bureau Federation, by regularly adopted resolution, is opposed to Government ownership of public utilities. We believe that at this time the taking over of the roads by the Government would not be justifiable. It would establish a precedent which would compel the Government to similar action whenever future controversies might arise, and indeed, might invite the bringing on of other controversies to compel Government interference.

So far as the railroad controversy is concerned, the Railway Labor Board was instituted for this very purpose.

Unless the coal miners and operators can quickly agree there should be constituted an agency similar to the Railway Labor Board for the settling of controversial labor issues, which board should be given full authority to enforce its demands.

Arbitration in Essential Industries

These telegrams show a firm grasp of the fundamental principle, that where the public welfare is involved the government, representing all the people, is justified in asserting its authority and under obligations to do so. It is true that a railroad strike is not at this

writing unlawful. This is because Congress, with friendly regard for labor, has exempted the labor organization from the law against combinations, which is in force against employers. When the Cummins-Esch bill passed the Senate it carried a provision making railroad strikes unlawful, but this failed of adoption in the House and in the conference. It failed, however, less because of opposition to the principle, than in deference to the wishes of organized labor, a feeling that public opinion might not be ready for it, and, furthermore, a hope that it might prove unnecessary.

It would be far better if organized labor would voluntarily recognize its obligations to the community of which it is a part, and join employers in accepting loyally the policy of arbitration in the industries where continuous operations cannot be suspended without inflicting widespread distress. This would not be a concession to employers or to a ruling class, or to anybody but the common people of this country.

The essence of the question is the claim of a comparatively small group to say how much all other people shall pay for their services, free from the competitive conditions under which the others are obliged to work. It is unnecessary to go into the details of present compensation of miners and shopmen; the issue is made by the refusal of both organizations to accept arbitration.

The plea that it is unsafe to rely upon the decisions of arbitration courts or commissions, amounts to a rejection of all judicial methods of settling disputes and a return to brute force. There is no peaceful way of settling disputes except by the methods of arbitration.

The argument that the government would be powerless to compel men to work against their will is not conclusive. The government will not attempt to do that, but it has the power to make associated action exceedingly difficult. The government will do little unless public opinion supports it, and with public opinion clearly pronounced the unions themselves will bow to the inevitable. It is not to be supposed that the members of the unions are insensible to public opinion or insensible to the reasoning that shapes public opinion against them.

The Sense of Responsibility

It is disappointing to find so many of the leaders of organized labor apparently lacking the sense of responsibility for community welfare and progress. No other class has gained so much by the increased production which has resulted from the higher organization of industry as the wage-earning class, and it has most to hope for from the development of greater harmony and co-operation. In the state of disorganization and confusion

that has followed the war, the labor leaders have shown a lamentable lack of vision and economic understanding, with the result that necessary readjustments have been delayed, to the great disadvantage of the wage-earning class. Instead of displaying a broad comprehension of social needs and a disposition to seek their own gains by methods which advance the common welfare, the most conspicuous leaders have had no policy except to exact the highest possible charge upon the public in every instance—a charge which enters into the cost of living of their own members—without regard to the effects upon industry.

Under the circumstances it is difficult to see how any one can count it other than fortunate that the non-union coal fields have not been unionized, or can view without apprehension the further spread of an irresponsible power which already ventures to challenge the government itself.

In saying this we are not questioning the devotion of these leaders to their cause as they understand it, but simply commenting with regret upon the limited capacity they have displayed. If they have no conception of the mutuality of interests in the industrial organization they cannot be expected to have regard for it, and if there is no hope of their developing broader views, the only remedy is in guarding against their power so far as can be done. Their sincerity would seem to be above question, for nobody who was not hopelessly obsessed with a single idea could have been the author of Mr. Gompers' recent appeal to all wage-earners, asking them for contributions for the support of the miners and railroad men in their policy of closing all the industries, stopping all wage-payments and suspending the transportation of food-supplies within the United States. Among all the schemes that eat themselves up this seems to be entitled to the prize.

The Status of the Strikes

A resumption of mining has been generally accomplished in the bituminous fields under an arrangement which undoubtedly signifies a temporary victory for Mr. Lewis. The terms are the same for the men as were demanded last April, the only concession on the part of Lewis being his acquiescence in the appointment of a fact-finding commission, the membership of which is to be approved by President Harding, which will proceed at once to prepare a report upon the industry for public information. The present wage scale will hold until April 1, 1923, when the old controversy presumably will be reopened, but with such information to guide public opinion as the commission's report will supply. On the whole, it is probably for the best that this temporary arrangement should be made. What is

wanted is a better understanding of the mining situation on the part of the public, and a more decisive public opinion to back up the authorities in dealing with it.

The leaders of the railroad shopmen who went on a strike July 1st against accepting the wages awarded by the Railroad Labor Board, have been occupied throughout August in trying to get the men back into their old jobs at the reduced pay, but without loss of their seniority rights. After the strike, public notice was given by the companies that the men might return within a fixed time and preserve their seniority rights. The leaders scoffed at the idea. They said that the question of seniority rights would be settled when the strike was settled, and they were willing to abide by the result reached then.

The time named having expired, the companies gave assurances to their employees who had remained loyal and to new employees being taken on, that if they gave satisfactory service their seniority rights would date from that time.

After about a month out of their jobs the old employees concluded that they would resume at the old stand if the companies would make room for them by displacing the men who had been temporarily occupying their jobs. This, however, the companies have not felt free to do.

The Pennsylvania Railroad Company's statement of this seniority issue is as follows:

An employee's standing on the seniority roster entitles him, in his turn, to those valuable privileges:

"1. Choice of the opportunity of shifting from night work to day work.

"2. Choice of more desirable or higher paid jobs when vacancies occur or new jobs are created.

"3. In case of reduction of force, assurance that the man of highest standing on the roster will be the last to be laid off, and the first to be taken on when the force is increased."

To restore with unimpaired seniority those who leave the service, particularly in time of stress and as a concerted movement, would mean:

That such returned men would displace on the seniority list loyal men wherever the forfeited seniority of the men so returned was greater than that of men who remained faithful to their obligations.

That every returned man would take precedence over men employed since a strike began.

That the men employed since the strike began would necessarily be the first to be laid off in any reduction in force, and that, therefore, the promise of the management of regular and continuous employment would be violated.

That loyal men of low seniority, and new employees, both of whom have worked under most trying conditions, would be relegated to less desirable jobs than those who disregarded their obligations to the railroad and the public.

At the outset of the shopmen's strike, sixty-five per cent. of the shop employees on the Pennsylvania Railroad System remained loyal. The force has since been increased to about eighty per cent. of normal.

To these men the management said:

"The Pennsylvania System will protect every employee who has remained on duty or who has been employed during the strike, as to seniority or any other rights which has been guaranteed them."

In the interest of the public service such pledges must be kept.

This statement seems to be conclusive. The public is interested in having the decisions of the Labor Board respected. If the employees may strike against its decisions and still hold an option on their places whenever they choose to return, why should they not strike, and why should any one take their places? Such a rule would make a joke of the Labor Board and fully establish control of the railroads in the hands of the employees.

The Southern Railway, having filled none of the places vacated by shopmen, on August 8th offered to take its former workmen back upon the very terms the national organization was demanding, but they declined on the ground that it was a national situation and they could not settle with one company without a settlement with all.

Government Management

The advisability of having the government take over the mines and railroads for operation has been seriously considered. Mr. William Jennings Bryan has written a letter to Senator Walsh, of Massachusetts, who has introduced a bill for this purpose, in which he presents some phases of the situation very well. He says:

A large majority of the people have no pecuniary interest on either side of the struggle and should not be compelled to suffer while a relatively small number fight out their differences. For instance, there are 600,000 coal mine workers out. If we count the number of stockholders in the mines at 400,000—and they are probably very much less than that number—we have a million men pecuniarily interested on the two sides of the strike. Counting five to a family that would give us not over 5,000,000 pecuniarily interested on both sides.

Out of a population of more than 100,000,000, why should 95 per cent of the people freeze just because 5 per cent can not agree as to wages? The vesting of authority in the President to act when necessary would relieve the present emergency and we should have a permanent tribunal framed on the plan of the "thirty treaties" to provide for the investigation of industrial disputes before they reach the stage of a strike or a lockout.

The "thirty treaties," to which Mr. Bryan refers, are the arbitration treaties which he negotiated while Secretary of State. He was not successful in negotiating one with Germany, and he does not say in his letter what he would do in cases where an employer or trade union takes the stand which Germany did against his negotiations, and refuses to arbitrate. This is where the real problem begins. It will settle nothing for the government to take over the coal mines or the railroads merely to pay the union scale, and the unions have no thought of working for the government for less wages than they want from the private owners, or of accepting arbitration as a means of settling with the government. To take over the mines or the roads simply to quiet the difficulty by paying the union scale would of course mean that all essential industries would be quickly taken

over, and the country would be practically under Soviet rule.

There is but one justification for taking over the coal mines and railroads in a crucial emergency—which does not exist at this time—and that is the refusal of the employers or employees to arbitrate and an intention on the part of the government to compel arbitration. If the government must proceed against the labor organizations for conspiracy against the public welfare, it might help to clarify the issue to have the situation narrowed down to the striking organizations on one side and the government, operating the properties in behalf of the public, on the other. It is of course desirable to make clear the fact that the government does not act in behalf of the owners, but for the protection of the public. Permanent operation of the industries by the government, however, is not to be thought of.

European Political Situation

The European political situation has not improved during the past month. The month opened with Lord Balfour's note to the Allied governments, which set forth a good many cogent reasons why the inter-allied indebtedness should be cancelled, and after stating that the British government was ready as part of a general scheme of settlement to abandon not only all claims against its Allies but even its claims for reparation from Germany, but that it could not do so if required to meet its debt in full to the United States.

The language of the principal paragraphs referring to the United States is as follows:

Recent events, however, make such a policy difficult of accomplishment. With the most perfect courtesy, and in the exercise of their undoubted rights, the American Government have required this country to pay the interest accrued since 1919 on the Anglo-American debt, to convert it from an unfunded to a funded debt, and to repay it by a sinking fund in twenty-five years. Such a procedure is clearly in accordance with the original contract. His Majesty's Government make no complaint of it; they recognize their obligations and are prepared to fulfill them. But evidently they cannot do so without profoundly modifying the course which, in different circumstances, they would have wished to pursue. They cannot treat the repayment of the Anglo-American loan as if it were an isolated incident in which only the United States of America and Great Britain had any concern. It is but one of a connected series of transactions, in which this country appears sometimes as debtor, sometimes as creditor, and, if our undoubted obligations as a debtor are to be enforced, our not less undoubted rights as a creditor cannot be left wholly in abeyance. * * * * *

For evidently the policy hitherto pursued by this country of refusing to make demands upon its debtors is only tolerable so long as it is generally accepted. It cannot be right that one partner in the common enterprise should recover all that she lent, and that another, while recovering nothing, should be required to pay all that she has borrowed. Such a procedure is contrary to every principle of natural justice and cannot be expected to commend itself to the people of this country.

The general tenor of the note is such as to suggest that it was intended for consumption

in the United States quite as much as in the countries to whose governments it was addressed, and to us this interpretation is not objectionable. There is no reason that we know of why the British government should be criticised for urging a general policy of cancellation if it believes that such policy is for the general good, or for declining to cancel its own claims except as part of a general arrangement. It is a subject upon which frank discussion is in order.

It is evident, however, that the position taken by the British government is not favorable to an early settlement between the Allies and Germany, because France does not see how she can pay her own debts without receiving the payments counted on from Germany, and there is no present prospect that the United States will agree to cancel its claims upon European governments. Congress recently has passed an act providing for refunding that indebtedness, and although this may not be the last word on the subject, nothing else is in the way of being said now.

The fact is that the questions arising out of reparations and inter-allied indebtedness are very complex ones to be fully and readily comprehended by the average person not experienced in the economics of international relations. Public opinion is not easily hurried, and in reckoning not only with the attitude of the United States government, but with the Balfour note and with the utterances of M. Poincare, account must be taken of public opinion in all three countries. The situation is one that requires time, but unfortunately the reparations question also requires prompt treatment.

Despite Lord Balfour's persuasive argument, based upon the equality of interests of the several countries associated together in the war, the average resident of the Mississippi Valley is not convinced that he had as great a stake in the war as the resident of Paris or London. He has a feeling that he was a long way off when it started, that he had no part in the history leading up to it, was not as directly or vitally interested as the people of France and Britain, and that he is entitled to some advantage from his position. On the whole he is disposed to think the war has cost him enough as the situation stands.

The French people viewing their devastated region, the debt created in reconstruction and the debts owing to England and the United States, naturally say that Germany should, and therefore must, pay.

Eventually, the people of all the countries concerned will have to think less about their abstract rights and the precise distribution of the burden, and more about practical measures

for restoring world prosperity. The whole machine must be set running in order that any part may run satisfactorily.

The London Conference

The conference of premiers of the allied countries which met in London, August 7th, came to no agreement. M. Poincare, in behalf of France, opened the discussion, and the London Times has given a brief summary of his remarks from which we extract the following:

The position of France, said M. Poincare, was that she was getting nothing at all. She had actually spent eighty milliards of francs (roughly £1,600,000,000) upon the reparation which should have been paid by Germany and she regarded this in the light of advances to Germany. The interest on this huge sum created a deficit on the ordinary French Budget, and the result was an extremely critical situation for France, from the financial point of view.

France, M. Poincare continued, was not imperialist; she was eager for the reconstruction of Europe; she had no desire to deal unfairly with Germany; but he thought that Frenchmen were justified in pointing to France's own situation as an essential factor in the bad condition of Europe; and that was why France was concentrating on securing reparations as a first step towards general reconstruction.

He was convinced that more taxation in France was politically and socially impossible at the present moment. With regard to Germany's position he said, that her condition was due to her own fault. In spite of constant protests she had gone in for reckless expenditure on navigable waterways, railways, and subsidies; and she had inflated her currency without scruple. If France had done the same she would have been completely ruined by now.

The French view, therefore, was that a moratorium should not be accorded to Germany unless productive guarantees were given to the Allies. If alone, France might take strong measures, but she wanted to work with her Allies and to place all her cards on the table. M. Poincare then enumerated certain guarantees and proposals which he wished to be considered by the Allies.

Mr. Lloyd George followed M. Poincare with a speech that was largely a reply to the latter. Referring to the common interest of the Allies in getting as much from Germany as possible, he said:

As to devastation, no one under-estimated the awful injuries done to France, but our trade had been completely devastated too. After all, what was the test of devastation? Devastation was anything which shattered the organs and mechanism of production. Whatever the form of the devastation might be, the burden would fall equally upon all the population.

Our burden, continued Mr. Lloyd George, had been very great unemployment, which reached the figure of two millions. It was happily down to 1,400,000; but we had to face a winter in which it would vary between 1,400,000 and 1,500,000. The population of the devastated portion of France was, he believed, two millions. The total population affected by unemployment in this country—that was counting the families of persons unemployed—was four or five millions, and these had to be supported by the Exchequer and by local grants. The failure of Germany was, therefore, really not something that concerns one or two Allies alone. With our unemployment we had the heaviest taxation, the heaviest debt, and our burden was at least equal to that of the most heavily burdened of our Allies.

In spite of the remissions of payment which had been granted to her, Germany had in point of fact made payments up to date amounting in total to £500,000,000 sterling, or ten milliards of gold marks. That was something.

The Prime Minister then pointed out that there had been three revolutions in Germany, and that the German Government still had very obviously incomplete control over all the provinces. Bavaria, for instance, had given difficulty over disarmament; and it was pretty clear that Bavaria took an independent view about some matters still. In spite of all this, the Committee of Guarantees had reported, on the whole, favorably of Germany's effort to collect taxation. She had not done badly in that respect. It was true, as M. Poincaré stated, that Germany was crying out about her terrible condition, and was always crying out. He did not think that we were bound to accept the protests of a debtor without inquiry; but Germany was not merely crying out. The exchange was a very valuable clinical thermometer. If a man protested that he was ill, you might not believe him; but if you put a thermometer in his mouth and it registered 104 deg., you would have to pay some attention to his statement. The German exchange had reached 4,000; and it was essential that the Allied statesmen should take that into account.

Mr. Lloyd George explained that he pointed all this out without any desire to get Germany off any payment which she was able to make. They were all equally interested in getting as much out of Germany as they possibly could. It was all a question of the methods to be used—whether any particular method proposed was likely to bring only trouble or solid cash.

The Conference, which was conducted privately, lasted one week, and ended without agreement as to any course of action.

British Opinions

The London Times, which has been for some time pronounced in its opposition to the Lloyd George government, and is disposed to put most of the responsibility for the failure there, in course of a lengthy editorial, made the following comments upon the outcome:

The meeting in Downing-street has failed, and in its failure, has covered with discredit most, if not all, of those who took part in it. None of them was able to rise to the height of what might have been a great opportunity to put the feet of Europe on the road towards recovery and to set the world an abiding example in statesmanship. Of excuses and explanations there will doubtless be many. Recriminations there may be and essays in self-defence. But none of these efforts will avail to hide the plain fact that the politicians responsible for the welfare of the Allied peoples met in London, three full years after the Peace, and showed themselves unequal to their task. . . . Did we believe that the Downing-street fiasco would permanently estrange the French and the British peoples, we should hold it even more lamentable than it yet seems to be. We trust, on the contrary, that it may arouse the Allied peoples to a sense of the dangers which they may shortly incur unless they quickly chasten, by unmistakable expressions of their feeling, the stewards who have mismanaged their affairs. Whatever view the French nation may take of the action and attitude of its representatives, we should be surprised were the British nation not to regard yesterday's lamentable failure as one more proof that the Coalition Government has outlived its mandate and outstayed its welcome, and that new men are needed to face a situation which present Ministers have needlessly, if not hopelessly, compromised. But we feel an especially poignant regret that, on the day of Lord Northcliffe's death, an Allied meeting should end in a disagreement of which the causes and the consequences may alike tend to jeopardize two of the strongest pledges of British welfare and security—the friendship of France and the good will of the United States.

Writing upon the feeling in London financial circles, the financial editor of the Times said:

Any arrangement which did not make for a real peace in Europe would be regarded in financial circles as a retrograde step. The City recognizes, therefore, that a final settlement of the reparation difficulty is the first thing to aim at, because Germany must be the ultimate payer of the balance of European indebtedness. It also recognizes that a reduction of reparation from the London figure of £6,600,000,000 cannot be arranged independently of the inter-Allied debts. Needless to say it is in perfect sympathy with the French claim that Germany should pay to the utmost of her ability and that Germany has herself alone to thank for the financial muddle in which she has landed her affairs. But while the City is anxious that past mistakes in dealing with the reparation question should be avoided, and that the final settlement with Germany should carry with it no risk of default on her part, it would deplore any independent coercive action on the part of France, because it believes that such action would fail to bring a real settlement.

While the proposals of M. Poincaré as to "productive guarantees" were not made known precisely, they have been understood to provide for security upon forests, mines and perhaps industrial works, and even guarantees by the chief German banks. The German government's position is that the payments as fixed cannot be met, and it cannot give guarantees that would be equivalent to the alienation of territory or the confiscation of private property.

The Flight of German Capital

M. Poincaré has insisted that behind a facade of poverty Germany actually is very prosperous. He asserts that within a year more than 4,000,000,000 marks, gold value, have been exported and remained abroad. He asserts the purpose of France to alone put into effect the penalties of default, unless sufficient guaranties as to future payments are given. Evidently, however, he has grave misgivings as to the effectiveness of penalties, for in a speech in French Senate on June 29, he said:

We have considered a certain number of measures of coercion, military and economic, such as the extension of occupation, levies on the holdings of banks, or on the products of taxation and exploitation of factories and forests—but these sanctions would not solve the question. They might influence the attitude of Germany, but they would not bring to the coffers of the Allies sums equivalent to those in the schedule of payments. We should procure only goods or paper marks in limited quantities—only a few hundred million gold marks. But we need money immediately.

The charge that the sale of marks for the purpose of transferring German capital abroad has had more to do with the decline of the mark than the reparations payments, may be true, but it does not support the theory of great prosperity in Germany. It raises the question why Germans are so desperately anxious to get capital out of the country that they will make the sacrifice involved in selling marks at present rates of exchange. The people who do it must regard the situation within Germany as hopeless and be bent on salvaging what they can. It may be put down as

certain that no great amount of reparations will ever be collected while the German people hold this attitude.

The collection of reparations is an eminently practical proposition. Is it right for France to get reimbursement to the last dollar of her reconstruction work, if that is possible, but in dealing with masses of people it is well to understand that the number who are impelled to exertions by any other motive than self-interest is negligible. People don't pay taxes willingly even to their own governments; they pay grudgingly, as the price of being free to make and keep a good deal more for themselves.

All experience goes to show that great bodies of people cannot be coerced into making efforts and sacrifices for what seems to them the exclusive benefit of other people. The whole philosophy of successful social relations is based upon the principle of mutual interests. A people may be willing to work very hard to pay a debt if they think its payment is within their power and that after it is paid the benefits of their labors will belong to themselves, but if they believe the load is more than they can carry, no way ever has been found by which their own government or any foreign power can make them try to carry it. It is not in human nature to try to do what is believed to be impossible.

The Plight of Austria

The last act of the London Conference was to receive a despairing appeal from Austria. The Times tells of it as follows:

The general effect of the Note was to ask the Allies to guarantee a further loan to the Austrian Government of £15,000,000, and the Austrian Government declared that in the absence of such guarantees it would be obliged to declare its inability to continue its task. The Prime Minister read the Note, and said that he thought the Allies should not separate without giving their attention to this extremely grave situation.

It was difficult to know what more could be done, said Mr. Lloyd George, as Great Britain had already advanced £12,500,000 to Austria, without any appreciable effect in improving the Austrian situation. M. Poincaré and Signor Schanzer pointed out that France and Italy had given similar credits to Austria. France had given a credit of 55,000,000fr. (about £1,000,000) this year, and Italy had given a credit altogether of 280,000,000 lire (over £2,800,000).

It was generally agreed that no Government was in a position to recommend to its taxpayers to incur any fresh burdens for the benefit of Austria until the situation there had been more thoroughly examined. All attached importance to such examination, and agreed that the Great Powers could not regard the collapse in Austria or the possible results with indifference. M. Poincaré suggested that as the League of Nations had already been engaged in investigating the Austrian position it might be invited to make this investigation complete. He knew that the League of Nations had no budget, but he thought that it might be able to suggest a programme of assistance to the Allies.

Mr. Lloyd George said that Great Britain would be very glad to adopt that suggestion, but he thought it would be only fair to inform the League that the Powers had all felt extreme difficulties in making any fresh subscriptions to Austria. It was no good mak-

ing schemes based on the credits of other Governments when no such credits were obtainable. The League must take that into consideration and make the best recommendation it could. Every one agreed with that.

This is tragical, for the League of Nations has no funds and can do nothing in this situation beyond submitting recommendations to its members.

The following dispatch to the London Times appeared in the same issue with above report:

Vienna, Aug. 14.—The committee of officials and representative tradesmen whose duty it is to assess the cost of living as a guide to the monthly automatic rise in charges, sat to-day and fixed the index figure for the past month at 124. That is to say, that between July 15 and to-day the cost of living in Austria has risen 124 per cent.

The corollary to these statistics is the immediate increase of salaries in proportion. The Government agreed to do this every month after the last big strike, and private employers of labor will not be able to lag behind the Government. The result will be further enormous increase in the note issue. This is a fact which is far more likely to impress the public than rumors of the good intentions of the Allies.

Paper Money Inflation

One fact stands out clearly in Germany, as in all the other countries that have indulged in paper money inflation and that is that it is impossible to relieve monetary stringency by printing paper money. This is a matter of great importance, because in every period of monetary stringency there arises a demand that the government or the banks shall issue more money for the purpose of giving relief.

The burden of the outcry against the Federal Reserve banks in the Fall of 1920, echoes of which are heard to this day, was that they refused to extend their powers to make loans and issue currency, and the fallacies of greenbackism have been revived in some degree by that situation.

It always looks as though it would be easy to relieve a condition of financial stress by issuing money. People think that inability to borrow or inability to sell at satisfactory prices must be due to scarcity of money; never that borrowing may be overdone, or that prices may be too high, or that there may be too much money.

Every advocate of government paper issues in the United States refers with scorn to the crazy performances of the governments of Europe in issuing money in such absurd quantities. They only want a "reasonable" amount put out—restrained by the judgment of Congress or other public officials—just enough to "meet the demands of trade."

The fatal defect in government issues of paper money is that the more there is issued the greater is the apparent necessity for more. Every argument in support of the first issue is used with increasing force for succeeding issues. The currency depreciates in purchas-

ing power as the issues are increased, but spasmodically, remaining comparatively steady for a time and then slumping rapidly. When the values decline, unless more is issued, money becomes as tight as it ever was, although it may be bordering on worthlessness.

A recent press despatch from Frankfort, Germany, reads as follows:

While every statement of the Reichsbank shows an increase in the note circulation, and the floating debt of the Empire grows larger all the time, money remains very tight. The cause is the continual rise in materials and wages, which compels producers and the business world in general to seek new capital.

A staff correspondent of the New York Times reporting an interview with Dr. Bruhn, Chairman of the Directors of the Krupp Works, quotes him as emphasizing this situation:

Dr. Bruhn said that the Krupps sometime ago saw what was coming in the way of a capital and credit shortage and eight or nine weeks ago secured an optional credit of 1,000,000,000 marks for the Autumn from a group of banks on stiff terms, including 3 per cent. outright "a fonds perdu," whether they availed themselves of the credit or not—this in order to be on the safe side.

Another Berlin cable to the New York Times, dated August 28, says:

The Reichsbank put a record amount—0,860,000 marks—in new banknotes into circulation in the third week of August, raising the total paper circulation to more than 227,000,000,000 marks. At that the Reichsbank was unable to meet the ever-increasing demand for paper marks. It has been forced to ration its customers and supplied only 40 per cent. of their requirements on Saturday, and only 60 per cent. today. It has been unable to catch up on the loss of production of about 12,000,000,000 paper marks occasioned by the recent strike of the men working the note presses.

The third fact is that the Reichsbank today raised its interest rate from 6 to 7 per cent. Only a month ago it had raised it from 5 to 6 per cent., after it had been stationary at 5 per cent. throughout the war, the revolution and the republican regime.

Poland, Austria and Russia

In Poland, where inflation has gone farther even than in Germany, like stringency exists. It was stated a few weeks ago at Warsaw that business undertakings which were financially sound had been compelled to pay 50 to 60 per cent for bank credits and that private discount houses were at the same time paying 3 to 5 per cent per day. The Finance Minister had objected to these charges by the banks, but only to the extent that in his judgment a rate of more than 20 per cent was unjustifiable.

The situation in Austria is similar, while in Russia the State Bank, conducted by the Soviet government, has been charging interest at the rate of 10 per cent per month, and as an inducement to draw some of the ever-increasing stream of paper back into its tills, has been paying 3 per cent per month on deposits.

Gold Value of the Mark

The depreciation of German currency in terms of the dollar and pound sterling undoubtedly has gone farther than is warranted by the issues, excessive though they have been. In other words, the mark has fallen, not merely in degree corresponding to the increased issues, but more. At the outbreak of the war the Reichsbank's gold reserve was about 43 per cent of its outstanding notes, and the mark was exchangeable for the dollar at the rate of about 4 to 1. On June 30, 1922, the exchange rate was about 400 marks to the dollar, and on this basis the Reichsbank's gold reserve approximated 60 per cent. At this time the mark stands at about 1400 to the dollar, at which rate the Bank has gold enough to redeem all its outstanding notes, with some to spare.

It could do so today, but the trouble is that currency issues are continuing, with no prospect of cessation, and the mark is falling in anticipation of them.

Only a few months ago the mark was worth a half cent, or 200 to the dollar, and at that time the Reparations Commission proposed that the Reichsbank be divorced from the government, to stop further note issues on government account. If this had been done, and effective steps taken to finance the government in other ways, there is reason to believe that the currency might have been stabilized at the exchange rate then prevailing. That would have given the industries and business of the country a foundation upon which to work. It involved, however, a complete settlement of the reparations question.

The Effect Upon Credit

The falling currency is destructive of credit, for why should anyone either sell goods or lend money to be paid for or reimbursed at a future day in money of depreciating value? Why should anyone practice self-denial in order to lay away money or create a bank-account, or buy securities payable in money, when the value of money is constantly falling? Why should anyone buy a life insurance policy? All of the people who have practiced thrift and accumulated savings in any form which represents promises to pay marks, have been despoiled. The only sensible thing to do with such money is to convert it into property of some kind as quickly as possible, if anyone can be found who will give property for it. The fact that everybody wants to do this, causes property to rise in terms of money, which is the other way of saying that it causes the money to depreciate.

Dr. Alfred Lansburgh, editor of "Die Bank," a financial publication in Berlin, says:

The peculiar picture which Germany presents today (spendthrift living, instead of building up of capital on the one side, lack of the barest necessities on the other) is the natural result of currency depreciation.

Lavish consumption is partly the effect of the bankruptcy of saving, partly the result of the shifting of ownership which is caused by inflation. Distribution is the result of the same shifting of ownership, looked at from the other side.

The effect of this condition upon the available fund of credit, of course, is bound to be disastrous to business. With wages and commodity prices rising a business must have more working capital. Borrowing is restricted; in the case of corporations resort is had to selling stock, but a business which is increasing its capitalization without increasing its physical property is not making an attractive offering. Dr. Bruhn, of the Krupp Company, in the *Times'* interview already quoted, described the situation as follows:

"The paper mark has now sunk to one-two hundred and fiftieth of its pre-war gold value. Wages have gone up about eighty-fold, but raw materials have gone up 200 to 250 times. A manufacturing corporation with 10,000,000 marks capital before the war therefore now needs between 1,000,000,000 and 2,000,000,000 marks capital. It cannot possibly borrow that from the bank. It cannot water its stock that much, either. The most it can water is eight to ten times its pre-war capital stock, but never 200 times.

"Unable to obtain the necessary huge additional working capital requirements by borrowing or watering, all great industries are now being forced to use up their accumulated reserves—their stocks of ores and every scrap of raw material generally. Likewise, their investment holdings of foreign and domestic securities are either being sold to carry on with or are being borrowed against up to the hilt."

This means that a steady process of constriction or strangulation is under way. Modern business cannot be done without money sufficiently stable to serve as the basis of contracts for future performance.

Annual Dairy Show

We made mention last month of the forthcoming National Dairy Show, which is to be held this year on the Minnesota State Fair grounds, between St. Paul and Minneapolis, October 7th to 14th. This show is for the dairy industry what the famous annual Fat Stock Show, in Chicago, is to the meat industry. It is an exhibition of the most highly-developed dairy cattle and a gathering-place for the leaders of the dairy industry, and it is to be held in the Twin Cities this year because they are now the center of the leading butter and cheese producing section of the country. New York State still leads as a milk-producing state, but the milk goes mainly in a fluid state to its cities, while the milk of Wisconsin, Minnesota, Iowa and the Dakotas for the most part is converted into manufactured products. Ohio, Michigan, Indiana and Illinois are also important dairy states, and the number of cows in each of them increased between 14 and 23 per cent between the last two census

counts, but their milk also goes largely to cities.

Wisconsin is now making more than one-half of all the factory-made cheese produced in the country. The number of cows in Wisconsin increased 47.9 per cent between 1910 and 1920, while the number of cows in Minnesota increased 40.1 per cent, and in North Dakota 77.8 per cent. For some unexplained reason the states of Iowa, Missouri and Nebraska had fewer cows in 1920 than in 1910. Apparently the high prices prevailing for grain lured them out of the path of well-balanced agriculture which leads to the best average results.

There are very obvious reasons why the bankers and leading business men of these Middle-Western states, which are so well-adapted to dairying should encourage the development of the industry. The relation of freight charges to the value of dairy products is relatively small. Complaints have been prevalent that the increased freight charges wanted in 1920 upon hay from localities west of the Missouri river to central and eastern markets were prohibitive in view of the decline of values, and some reductions have been made. The fact, however, is that hay should not be moved such distances as a permanent policy, and that is true of other bulky products. Moreover, aside from the question of freight charges, the cow should be kept where the hay is grown, or by and by hay will not grow.

A few years ago President Waters, of the Kansas State Agricultural College made an estimate of what the farmers of Kansas were gaining upon the relatively small butter production of the state, as compared with what they would receive for the feed consumed in case it was sold on the markets. The butter shipments at that time aggregated about 9,000,000 pounds in a year, and sold for about \$2,500,000, to which was added the value of by-products, about \$500,000. He calculated that there was a gain of \$1,176,000 in selling the butter over selling the feed, and beside that, the feed if sold would have carried out of the state \$1,250,000 worth of soil fertility which dairy farming would have given back to the soil.

Discussing fertility, Dr. Waters said that it was physically possible, through the work of modern science, to maintain the soil without live stock, but that it was not humanly possible, because it involves an investment of money that we get from the crops, and as long as we are human, we will prefer to spend that money for automobiles and other things that make life happy and let the soil go. So we may accept it as a fundamental fact that we must have some sort of live stock

Dr. Waters, who is now editor of the Weekly Kansas City Star, has made an address recently in which he compared the dairy cow with the beef steer as rival machines for converting vegetable growth into food for man. He said that a steer producing a live weight of 1,000 pounds in a year was producing 300 to 400 pounds of edible dry matter, while the herd of Holstein cows on the farm of the University of Missouri was producing an average for all ages of 14,000 pounds of milk per year, or something like a ton of dry matter per cow per year. He added:

There are two classes of animals whose improvement has been remarkable beyond that of any other class, one is the dairy cow and the other is the hen. The production of the improved dairy cow is more than ten times that of the unimproved cow, and the egg production of the highest class laying hens is tenfold that of the unimproved or the wild hen.

Dr. Waters commented upon the objection to dairying based on the steady work involved, with some sound philosophy, as follows:

We hear a great deal about the labor that is involved in dairying. We have it out here in the Southwest, and we say that we would go into dairying if we could do dairying on horseback. We are all looking for the kind of agriculture that does not keep us busy, and we say that we will get behind with our riding if we milk cows, and all that sort of thing, but we must bear this in mind—that no business that does not give employment the year round, or approximately so, is going to sustain the family on the farm, and also that any business that has short hours, it does not make any difference whether it is in the city or on the farm, and has a large amount of leisure, produces only average results, and in the average results there is no profit. The only man who gets ahead is the man who works more hours than the average man, and works harder than the average man, and that is true in the city and in the country as well; and any kind of farming that does not give the farmer an opportunity to do that sort of thing will not produce much profit.

He also passed out a few words to city folks which bear repeating:

Carrying that idea a little further, there is an idea prevalent among the city people that the head of the family working a few short hours a day ought to be able to support the rest of the family in idleness. The average man in the city resents the idea that the family should help him in earning a living and in buying a home. He insists that it is his right to work himself to support that family and buy and earn a home. And yet I ask you if you know anywhere of a farm where the head of the family working eight hours a day with the rest of the family in idleness, can support the family, and succeed; and the time is coming some day when the women on the American farms will come to the gates of the city and say to the women and children and men of the city: "This inequality must be adjusted some way. We have no program. We have no suggestion, but we say that the situation under which it is necessary for us to work, and under which you do not work, is intolerable, and must be adjusted."

International Trade in the First Half of 1922 Compared with Corresponding Periods of 1921

(By O. P. Austin, Statistician, The National City Bank of New York)

World international trade in the first half of 1922 shows a material decline in stated value when compared with the corresponding period of 1921, and of course a big fall off when compared with the high record year 1920. Official reports of 18 principal countries representing about 60 per cent of the world's normal trade indicate that the stated value of their international commerce in the first half of 1922 is about 13 per cent below that of the same period in 1921.

The total foreign commerce of these 18 countries, reduced at the par of exchange to the common unit of United States dollars, aggregates approximately \$19,000,000,000 value in the first 6 months of 1922 against \$22,000,000,000 in the corresponding months of 1921, and suggest that the nominal value of world international trade in the full year 1922 may approximate \$60,000,000,000 against \$70,000,000,000 in 1921, and \$90,000,000,000 in the high record year 1920, but still 50 per cent greater than that of the year preceding the war, 1913, when world international trade aggregated \$40,000,000,000.

The reduction in the 1922 movement apparently occurs in large degree in manufactured articles. A careful examination of the import and export records of the countries named shows that 10 of the 18 countries report increases in their exports and only four show material increases in imports. Moreover, the countries which have increased their exports in 1922 belong almost exclusively to the agricultural group, while the limited number increasing their imports are in most cases of the class dependent on foreign countries for food and manufacturing material. In the case of the United States, which is one of the four countries increasing imports in 1922, the increase is apparently due in large part to the abnormal importation of the classes of goods on which higher duties are promised in the pending tariff measure. On the other hand the countries showing a decline in their exportations belong almost exclusively to the group producing manufactures for exportation, notably Great Britain, France, Netherlands, Italy, and the United States. Japan is the one manufacturing country showing an increase in exports in the six months' period under consideration. Still another indication that the decline in 1922 trade occurs chiefly in manufactures is found in the fact that the great agricultural countries, which are naturally

large importers of manufactures, have as a rule made no increase in their imports in 1922 despite the fact that they have increased the value of their agricultural exports.

This decrease of approximately 13 per cent in the stated value of world trade in 1922 is apparently due in large degree to a reduction in the quantity of merchandise entering commerce rather than a marked decline in prices in the period under consideration, though the fall in trade figures in 1921 was chiefly due to lower prices. In fact world prices in 1922 have in many articles of international commerce materially advanced and are also perceptibly higher than a year ago. The import figures of the United States, which are based on the value of the imported articles in the countries from which drawn and thus supply an exceptionally convenient measurement of world prices, show in a majority of cases a higher average price in 1922 than a half year earlier and are in many instances higher than

a full year ago. Of the 75 articles in which the Department of Commerce states import prices from month to month 60 per cent show higher prices in June, 1922, than in December, 1921, and on the export side the proportion of price advances is about the same as that in imports.

The tables which follow show the value of the imports and exports of the individual countries in the first half of 1922 in their respective currencies and also the equivalent in United States currency transformed at the par of exchange, in accordance with the custom of the leading statistical authorities of this and other countries, and thus rendering possible a totalization of the nominal values of the entire group and a comparison thereof with the corresponding period of an earlier year; and this method is the more readily justified in the fact that the currency values of the countries included in the list show comparatively little change in the past year.

TRADE OF PRINCIPAL COMMERCIAL COUNTRIES OF THE WORLD IN FIRST HALF OF 1922 COMPARED WITH HALF YEAR PERIODS OF 1921

(Transformed to United States Currency at par of exchange)
000 omitted

	IMPORTS		EXPORTS	
	1922	1921	1922	1921
	First Half	Second Half	First Half	Second Half
Australia	264,300*	355,700	327,100*	316,300
Brazil	245,333*	333,666	333,766*	250,000
Canada	361,000	428,100	424,000	375,000
Denmark	187,800	196,700	150,900	186,100
Egypt	102,200*	123,600	100,300*	58,884
Finland	326,200	306,900	306,900	135,900
France	2,070,000	2,065,000	1,806,000	1,949,000
Greece	196,900*	145,700	102,900*	53,700
India	398,000	485,000	437,333	347,666
Italy	1,362,000†	2,386,000	793,000†	1,000,000
Japan	534,500	393,000	365,500	280,500
Netherlands	399,200	460,000	233,600	266,960
New Zealand	77,800	133,800	104,600	126,500
Philippines	37,200	70,013	51,000	44,452
Sweden	142,300	169,100	101,800	127,100
Union South Africa..	120,200	143,600	73,500	58,400
United Kingdom	2,370,000	2,784,000	1,221,000	1,791,000
United States	1,419,600	1,320,400	1,819,600	2,534,300
Total	10,620,000	12,301,000	8,752,700	9,905,700

* June estimated on official data for earlier months.

† May and June estimated on official dates for earlier months.

TRADE OF PRINCIPAL COMMERCIAL COUNTRIES OF THE WORLD IN FIRST HALF OF 1922 COMPARED WITH HALF YEAR PERIODS OF 1921

(In currencies of the respective countries)
000 omitted.

	IMPORTS		EXPORTS	
	1922	1921	1922	1921
	First Half	Second Half	First Half	Second Half
Australia	£ 54,315*	73,100	£ 67,227*	65,000
Brazil	mil. 736,000*	1,001,000	1,001,300*	725,000
Canada	\$ 361,000	428,100	424,000	375,000
Denmark	kr. 701,000	734,000	563,000	694,000
Egypt	£ E 21,016*	25,400	20,692	12,160
Finland	f.m. 1,693,000	1,595,000	1,585,000	704,000
France	francs 10,671,000	10,695,000	9,368,000	10,068,600
Greece	drach. 1,029,000	755,000	533,000*	278,000
India	rupee 1,194,000	1,455,000	1,312,000	1,043,000
Italy	lire 7,061,000†	13,403,000	4,110,000†	5,200,000
Japan	yen 1,069,000	786,000	731,000	561,000
Netherlands	gldr. 998,000	1,150,700	584,000	667,400
New Zealand	£ 16,002*	27,500	21,580*	26,000
Philippines	\$ 37,200	70,013	51,000	44,452
Sweden	kr. 531,000*	631,100	380,000*	474,200
Union South Africa ..	£ 24,700	29,500	15,100	12,000
United Kingdom	£ 487,516	572,254	351,762	368,895
United States	\$ 1,419,600	1,320,400	1,819,600	2,534,300

* June estimated on official data for earlier months.

† May and June estimated on official dates for earlier months.

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